

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 036434

61

ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 IO-10 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01

FRB-03 OMB-01 L-02 SIL-01 /051 R

66611

DRAFTED BY: EB/FTD:MBSMITH:HM

APPROVED BY: EB/FTD:MBSMITH

CIEP-AJURICH

COMMERCE-APOLANSKY

LABOR-IKRAMER

ARA/BR-JSLATTERY

DIST: CIEP, COMMERCE, LABOR, ARA/BR

----- 105239

P 182219Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

INFO USMISSION GENEVA PRIORITY

LIMITED OFFICIAL USE STATE 036434

C O R R E C T E D C O P Y (PARA 5 LINE 1 OMITTED)

E.O. 11652: N/A

TAGS: ETRD, BR

SUBJECT:USG/GOB BILATERAL TEXTILE CONSULTATIONS

REF: BRASILIA 1356

GENEVA FOR PHELAN

1. AS A MATTER OF PRINCIPLE, DEPARTMENT CANNOT ACCEPT
GOB'S REASONS FOR DEFERING TEXTILE NEGOTIATIONS AT THIS
TIME. LIKEWISE, WE CANNOT ACCEPT GOB'S WILLINGNESS TO
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 036434

CONSULT ONLY QUOTE WITHIN GATT FRAMEWORK UNQUOTE, BUT THE

NEGOTIATION OF RESTRAINT AGREEMENTS IS NOT A FUNCTION OF AN UNSETTLED MARKET BUT A FUNCTION OF THE IMPACT OF IMPORTS ON THE DOMESTIC MARKET OF THE IMPORTING COUNTRY UNDER ANS MARKET CONDITIONS. THE MFA MAKES IT CLEAR IN ARTICLE 4 AND ELSEWHERE THAT BILATERAL AGREEMENTS, FOR EXAMPLE, ARE NEGOTIATED TO ELIMINATE MARKET DISRUPTION (OR THE THREAT THEREOF) AND TO PROVIDE FOR THE ORDERLY EXPANSION OF INTERNATIONAL TRADE IN TEXTILES. THERE IS NO REFERENCE TO OR IMPLICATION THAT SUCH NEGOTIATIONS ARE TO BE CARRIED OUT ONLY WHEN THE MARKET IS SETTLED. INDEED, A VERY CONVINCING CASE CAN BE MADE THAT THE UNCERTAINTY OF THE

MARKET MAKES NEGOTIATIONS ALL THE MORE ESSENTIAL.

2. ALL TEXTILE TRADING NATIONS KNOW THAT THE NATURE OF SUCH TRADE HAS BEEN VOLATILE. THE PURPOSE OF THE MFA WAS TO REMOVE SOME OF THIS VOLATILITY AND THE USG IN ITS BILATERAL FRAMEWORK STRIVES TO DO THIS ALSO. HENCE, WE STRONGLY BELIEVE THAT A YEAR'S DELAY IN NEGOTIATING A MAN-MADE FIBER BILATERAL WITH GOB COULD ONLY HURT BRAZILIAN INTERESTS BECAUSE, AS THE GOB KNOWS, HISTORICAL TRADE PERFORMANCE IS AN IMPORTANT FACTOR IN ESTABLISHING RESTRAINT LEVELS AND WITH THE CURRENT MALAISE IN WORLD TEXTILE TRADE (SPECIFICALLY WITH REGARD TO BRAZIL'S TRADE WITH US), THE LIMITS THE GOB WOULD OBTAIN FROM US IN A BILATERAL AGREEMENT A YEAR FROM NOW COULD WELL BE SIGNIFICANTLY LOWER THAN AT PRESENT.

3. ALSO, THERE ARISES THE QUESTION OF INTERNATIONAL EQUITY. SINCE THE MFA WAS CONCLUDED IN DECEMBER 1973, THE UNITED STATES HAS NEGOTIATED OR RENEGOTIATED A NUMBER OF BILATERAL RESTRAINT AGREEMENTS WITH PARTICIPANTS TO THE MFA. THE MFA CLEARLY REQUIRES ANY RESTRAINING COUNTRY TO TREAT ALL MFA PARTICIPATING EXPORTING COUNTRIES EQUITABLY. NOT TO BRING BRAZIL UNDER A MULTIFIBER BILATERAL WOULD BE, PER FORCE, TO TREAT INEQUITABLY OUR OTHER MFA TRADING PARTNERS WHO HAVE ALREADY AGREED TO BILATERAL RESTRAINTS.

4. FINALLY, WE CANNOT ACCEPT THE GOB NOTION OF A GATT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 036434

(AS SEPARATE FROM MFA) UMBRELLA. WE CONSIDER, AS WE BELIEVE OTHER MFA MEMBERS DO, THAT THE MFA IS THE UMBRELLA WITHIN GATT FRAMEWORK AS FAR AS TEXTILES ARE CONCERNED, AND THE MFA EXPRESSEDLY SANCTIONS AND ENCOURAGES BILATERAL SOLUTIONS TO TEXTILE PROBLEMS. TO HOLD ANY OTHER POSITION WOULD BE TO VITIATE THE ENTIRE CONCEPT OF THE MFA AND THUS WORK TO THE DECIDED DISADVANTAGE OF DEVELOPING AND TEXTILE EXPORTING COUNTRIES.

LIKewise, WE HAVE NO DESIRE OF SETTING A DUBIOUS PRE-
CEDENT OF GOING ALONG WITH THE GOB PROPOSAL THAT
THE BILATERAL COTTON AGREEMENT SHOULD
SIMPLY BE EXTENDED FOR ANOTHER YEAR DUE TO THE UNSETTLED
MARKET CONDITIONS OR EXCEPTIONAL CIRCUMSTANCES, INASMUCH
AS THE GOB ARGUMENTS ARE WITHOUT SUBSTANCE.

5. HENCE, THE EMBASSY SHOULD INFORM THE GOB THAT THE USG
DOES NOT ACCEPT THE GOB POSITION ON THE PROPOSED TEXTILE
CONSULTATIONS. YOU SHOULD SPECIFICALLY REJECT BOTH
THE QUOTE UNSETTLED MARKET CONDITIONS QUOTE ARGUMENT AND
THE QUOTE EXCEPTIONAL CIRCUMSTANCES QUOTE ARGUMENT.
HOWEVER, AS A PRELIMINARY STEP TOWARDS RECONCILING OUR

DIFFERENCES, YOU SHOULD ADVISE THE GOB WE WOULD BE WILLING
TO MEET ON A PRELIMINARY BASIS TO ESTABLISH A
NEGOTIATING SENARIO. SUCH A STEP MUST BE TAKEN QUICKLY
TO AVOID POTENTIAL ECONOMIC AND POLITICAL DIFFICULTIES
BOTH FROM A US DOMESTIC VIEWPOINT AND IN LIGHT OF OUR
INTERNATIONAL OBLIGATIONS UNDER THE MFA. FYI EMBASSY'S

ATTENTION IS DRAWN TO STATE 030843. END FYI.

6. WOULD APPRECIATE REPORT ON GOB REACTION SOONEST. MAW

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILE INDUSTRY, MEETING AGENDA, NEGOTIATIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 18 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE036434
Document Source: CORE
Document Unique ID: 00
Drafter: EB/FTD:MBSMITH:HM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750060-0100
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750234/aaaabepe.tel
Line Count: 139
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BRASILIA 1356
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 JUN 2003 by KelleyW0>; APPROVED <20 NOV 2003 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SG/GOB BILATERAL TEXTILE CONSULTATIONS
TAGS: ETRD, BR, US
To: BRASILIA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006